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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SOURCEPROSE CORPORATION, Plaintiff, v. RPX CORPORATION, Defendant.	CASE NO. 3:16-cv-04089-LB **MOTION OF DEFENDANT RPX CORPORATION TO DISMISS PLAINTIFF'S SECOND AMENDED COMPLAINT; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF** **FED. R. CIV. P. 12(b)(6)** Hearing Date: April 13, 2017 Hearing Time: 9:30 a.m. Judge: Hon. Laurel Beeler Courtroom: C, 15th Floor Action Filed: April 26, 2016 Trial Date: Not Yet Set

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NOTICE OF MOTION AND MOTION

TO THE COURT AND TO ALL PARTIES:

PLEASE TAKE NOTICE that on April 13, 2017 at 9:30 a.m. or as soon thereafter as the matter may be heard by the Honorable Magistrate Judge Laurel Beeler in Courtroom C, United States District Court for the Northern District of California, 450 Golden Gate Avenue, 15th Floor, San Francisco, California 94102, Defendant RPX Corporation will and hereby does move the Court for an Order dismissing SourceProse Corporation's Second Amended Complaint filed on February 9, 2017, pursuant to Fed. R. Civ. P. 12(b)(6), with prejudice and without leave to amend, on the grounds that the claims therein fail to state a claim as a matter of law.

This motion is based on this Notice of Motion, the accompanying Memorandum of Points and Authorities that follows, the Request for Judicial Notice filed herewith, the pleadings on file in this action, and any further evidence or argument that the Court may properly consider at or before the hearing.

DATED: March 9, 2017

STOEL RIVES LLP

By: /s/
Philip J. Wang
Attorneys for Defendant
RPX Corporation

MEMORANDUM OF POINTS AND AUTHORITIES

I. ISSUES PRESENTED

1. Whether Plaintiff SourceProse Corporation's ("SourceProse" or "Plaintiff") first cause of action for breach of a written Non-Disclosure Agreement ("NDA") states a valid cause of action;

2. Whether Plaintiff's second claim for breach of oral contract to assign nine patents to Defendant RPX Corporation ("RPX") states a valid cause of action; and

3. Whether Plaintiff's third claim for breach of oral contract to settle a patent litigation states a valid cause of action.

II. PRELIMINARY STATEMENT

Following multiple attempts, Plaintiff's Second Amended Complaint ("SAC") still fails to plead an enforceable oral contract and should therefore be dismissed without further leave to amend. The Court previously dismissed Plaintiff's claim for breach of oral contract to assign patents because hornbook law requires patent assignments to be in writing, and the Court granted leave for Plaintiff to replead an "agreement to assign" and/or an implied-in-fact contract. In response, Plaintiff makes several attempts to add window-dressing to its breach of oral contract claim, none of which cure the fundamental deficiencies of Plaintiff's claims.

First, the SAC fails to plead an enforceable "agreement to assign." The "agreement to assign" is a limited equitable exception involving ***future*** patent rights in the employment context and does not apply to existing patents as alleged here. Thus, Plaintiff's attempt to plead around the rule requiring a written assignment by calling it an "agreement to assign in the (near) future" still fails as a matter of law.

Second, adding illusory terms - dismissal of the patent lawsuit and a limited license back allowing Plaintiff to sue for past infringement - also does not salvage Plaintiff's claims. A promise to dismiss is redundant, as Plaintiff would have lost the ability to maintain the lawsuit once it assigned away the patents. And a limited license would not give Plaintiff standing to sue others for past infringement. Illusory terms do not an "agreement to assign" make.

Third, the SAC fails to plead an enforceable implied-in-fact contract. As the Court previously noted, cases finding enforceable implied-in-fact contracts to assign are limited to employment ("hired-to-invent") and other limited contexts, none of which apply here. Moreover, implied-in-fact contracts are foreclosed by the SAC's allegations of an express contract.

Finally, Plaintiff's first cause of action for breach of the NDA should be dismissed because Plaintiff released all claims against RPX for sharing information with its members necessary to evaluate the deal, and the SAC alleges that Google was a RPX member.

Accordingly, the Court should grant Defendant's Motion to Dismiss Plaintiff's Second Amended Complaint under Fed. R. Civ. P. 12(b)(6) without further leave to amend.

III. BACKGROUND FACTS

Plaintiff is an NPE based in Texas and is the owner by assignment of at least nine United States patents. *See* SAC ¶¶5, 7. On February 11, 2011, Plaintiff asserted those nine patents against five major mobile telephone carriers in the Western District of Texas: AT&T, MetroPCS, Sprint Nextel, T-Mobile, and Verizon. *See* SAC ¶9. On July 26, 2011, Google filed a separate suit against Plaintiff seeking a declaration that Google and the wireless carriers did not infringe Plaintiff's patents, and the two cases were consolidated. SAC ¶¶10-11. RPX was not a party to the litigation. *See* SAC ¶¶9-11.

Defendant RPX provides patent risk solutions to its members by, among other things, acquiring patents and patent rights and granting licenses of the same to its members. *See* SAC ¶8. The SAC alleges that some of the five mobile telephone carriers sued by Plaintiff were RPX members. SAC ¶12. The SAC further alleges that Google was a client of RPX. *Id.*

On March 5, 2015, Plaintiff and RPX entered into an NDA to explore the possibility of selling to RPX the patents Plaintiff was asserting in the litigation. *See* SAC ¶14. While the NDA generally prohibited the dissemination of the parties' confidential information, it allowed RPX to share Plaintiff's information with RPX clients in order to evaluate any proposed transaction, and Plaintiff specifically released all claims based on RPX sharing this information with its members. *See* Request for Judicial Notice ("RJN"), Ex. A at §3(b). The NDA also contained a choice of law provision requiring that the agreement "shall be governed by the laws of the State of California, without reference to conflict of laws principles." *Id.* §12.

Plaintiff alleges that following the execution of the NDA, representatives of the parties met in California and agreed to all "Essential Terms" of the agreement ***except*** for the purchase price:

- RPX would pay SourceProse an agreed upon amount of money;
- SourceProse would drop the patent litigation;
- SourceProse would assign the patents to RPX;
- RPX would grant SourceProse a "limited license of one year's duration whereby SourceProse could, in its discretion, file suit against any non-RPX clients for pre-assignment patent infringements."

SAC ¶¶15-16.

Plaintiff further alleges that during a May 8, 2015 telephone call, RPX offered $3 million for the patents and Plaintiff accepted this offer. SAC ¶¶19-21. On May 11, 2015, Plaintiff alleges that RPX expressed concern that Google "may have withdrawn its support of the Agreement." SAC ¶27. Finally, on May 14, 2015, Plaintiff alleges that RPX sent an email to Plaintiff stating that there was no agreement between RPX and SourceProse. SAC ¶32.

Plaintiff alleges that in reliance on "the deal" reached on May 8, 2015, it informed opposing counsel on May 12, 2015 that it had reached an agreement that "would settle the Patent Litigation." SAC ¶30. Plaintiff also alleges that it canceled a deposition of a Google witness, who then became unavailable. *See* SAC ¶¶30, 33. Finally, Plaintiff alleges it dismissed its patent litigation on July 9, 2015, almost two months after RPX disavowed any agreement in writing. *See* SAC ¶35.

On April 26, 2016, Plaintiff filed a complaint against RPX alleging breach of the NDA, breach of contract ("sale/settlement agreement"), and promissory estoppel. Dck. #1. On October 3, 2016, Plaintiff filed a First Amended Complaint ("FAC") in the Northern District of California alleging breach of the NDA, breach of a contract to sell patents, and promissory estoppel. Dck. #25.

On January 26, 2017, the Court granted RPX's motion to dismiss Plaintiff's second cause of action for breach of an oral agreement and dismissed Plaintiff's third cause of action for promissory estoppel. Dck. #38. The Court held that federal law requires patent assignments to be in writing, that the FAC pleaded an oral agreement to assign the patents, and that the terms of that contract were ambiguous. *Id.* The Court gave Plaintiff leave to amend to attempt to state a claim for breach of an "agreement to assign" and/or breach of an implied-in-fact contract. *Id.*

On February 9, 2017, Plaintiff filed the SAC alleging three causes of action: (1) Breach of Mutual Nondisclosure Agreement; (2) Breach of Agreement to Assign; and (3) Breach of Agreement to Settle the Patent Litigation. Dck. #41.

IV. LEGAL ARGUMENT

A. Pursuant to Fed. R. Civ. P. 12(b)(6), the Court Should Dismiss Claims That Fail to State Valid Causes of Action

Pursuant to Rule 12(b)(6), the court should dismiss any claim that does not state a facially plausible claim for relief. Fed. R. Civ. P. 12(b)(6); *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555-56 (2007). A motion under Rule 12(b)(6) "tests the legal sufficiency of a claim." *Navarro v. Block*, 250 F.3d 729, 732 (9th Cir. 2001). Dismissal under Rule 12(b)(6) is appropriate where the complaint is "lacking a cognizable legal theory or [is] lacking sufficient facts alleged under a cognizable legal theory." *Woods v. U.S. Bank N.A.*, 831 F.3d 1159, 1162 (9th Cir. 2016). In ruling on a 12(b)(6) motion to dismiss, the court accepts all allegations of material fact as true and construes the pleadings in the light most favorable to the plaintiff. *Livid Holdings Ltd. v. Salomon Smith Barney, Inc.*, 416 F.3d 940, 946 (9th Cir. 2005). However, the court is "'free to ignore legal conclusions, unsupported conclusions, unwarranted inferences and sweeping legal conclusions cast in the form of factual allegations.'" *Stanislaus Food Prods. Co. v. USS-POSCO Indus.*, 782 F. Supp. 2d 1059, 1064 (E.D. Cal. 2011) (citation omitted).

A dismissal under Rule 12(b)(6) is appropriate where the complaint discloses a defense to the claims pleaded. *Asarco, LLC v. Union Pac. R.R. Co.*, 765 F.3d 999, 1004 (9th Cir. 2014) (dismissal warranted based on affirmative defense if "the defendant shows some obvious bar to securing relief on the face of the complaint"). This includes defenses related to a requirement that an agreement must be in writing. *See, e.g., Griffin v. Green Tree Servicing, LLC*, 166 F. Supp. 3d 1030, 1045 n.48 (C.D. Cal. 2015) ("[T]he statute of frauds, while an affirmative defense, may be the proper subject of a motion to dismiss where the defense is apparent on the face of the complaint.") (citation omitted).

While the court ordinarily looks to the four corners of a complaint while considering a 12(b)(6) motion, where a plaintiff refers to a document in the complaint but does not attach it, a party moving under 12(b)(6) may submit that document as part of its motion. *See Branch v. Tunnell*, 14 F.3d 449, 454 (9th Cir. 1994), *overruled on other grounds by Galbraith v. County of Santa Clara*, 307 F.3d 1119, 1127 (9th Cir. 2002).

B. Plaintiff's Claim for Breach of the NDA Fails Because Plaintiff Specifically Waived Claims Against RPX for Disclosing Deal Information to Its Members[1]

Plaintiff's first cause of action in the SAC alleges that RPX breached the NDA between RPX and SourceProse by sharing Plaintiff's confidential information "with Google and, perhaps, others." SAC ¶38. Plaintiff's claim fails as a matter of law because Plaintiff expressly released all claims for damages against RPX for disclosing deal information to RPX members.[2]

Although the NDA generally prohibits the dissemination of the parties' confidential information, Plaintiff specifically "release[d] and waive[d] all claims for damages based on such Evaluation Information against RPX and all RPX Members." RJN, Ex. A at §3(b). "Evaluation Information" was broadly defined as "any information related to this business opportunity." *Id.* The NDA also specifically contemplated that RPX would share Evaluation Information with its members. *See id.* (stipulating that neither "(i) RPX's (or its affiliates') receipt and/or evaluation of any information related to this business opportunity…nor (ii) RPX's (or its affiliates') potential or actual communication of such Evaluation Information to any current or prospective RPX members, or their current and future affiliates (collective, 'RPX Members') pursuant to the terms of this Agreement, shall constitute pre-litigation notice….").

[1] RPX did not move to dismiss this cause of action previously. However, newly pleaded allegations in the SAC demonstrate that RPX did not breach the NDA as a matter of law.
[2] Plaintiff cites the NDA, but does not attach it to the SAC. As a result, this Court may consider its contents in deciding on a motion to dismiss. *See* RPX's Request for Judicial Notice ("RJN") (filed herewith).

Thus, the NDA allowed RPX to share Plaintiff's confidential information with its members in evaluating the potential deal, and Plaintiff specifically released RPX and its members from claims based on sharing such information. Plaintiff alleges that Google is an RPX member and that Google was a party to Plaintiff's patent lawsuit. SAC ¶¶10-12. Therefore, RPX was permitted under the NDA to share information related to the deal with Google. Moreover, Plaintiff fails to name any other entity with which RPX shared the information (instead, vaguely stating that RPX shared information with "perhaps, others"). This is insufficient to allege a breach of the NDA. Therefore, the SAC fails to state a claim against RPX for breach of the NDA as a matter of law, and Plaintiff's first cause of action should be dismissed.

C. Plaintiff's Second and Third Causes of Action Allege Identical Terms and Fail as a Matter of Law

In granting RPX's motion to dismiss Plaintiff's claim for breach of an oral patent assignment, the Court gave Plaintiff leave to allege a breach of an "agreement to assign" and/or an implied-in-fact contract. In response, Plaintiff did three things: (1) added that the assignment would occur in the "(near) future"; (2) added terms to the alleged agreement, including an agreement to dismiss the lawsuit and a one-year license back to Plaintiff to sue non-RPX members for past infringement; and (3) added a cause of action with identical terms, but merely flipped the order of the dismissal and assignment:

> Second Cause of Action ["Breach of Agreement to Assign"]
> "On May 8, 2015, RPX and SourceProse reached an agreement whereby RPX would pay $3 million to RPX and [sic] would receive, in exchange, an assignment of the Patents and dismissal of the Patent Litigation." SAC ¶41.
>
> Third Cause of Action ["Breach of Agreement to Settle the Patent Litigation"]
> "On May 8, 2015, SourceProse and RPX reached a settlement agreement in which RPX would pay $3 million to SourceProse and would receive, in exchange, dismissal of the Patent Litigation and an assignment of the Patents." SAC ¶48.

These additions are nothing more than window dressing to obscure the central allegation of an oral agreement to sell the patents to RPX for $3 million, which still fails as a matter of law. ***First***, as this Court has previously held, federal law requires patent assignments to be in writing, and the SAC alleges no writing. ***Second***, so-called "agreements to assign" are limited to the transfer of **future** inventive rights and not to the sale of existing patents. ***Third***, Plaintiff's newly alleged terms - dismissal of the lawsuit and a license back to sue for past infringement - add nothing to Plaintiff's claim as the first is redundant and the second is legally void.

1. Federal Law Requires Patent Sales to Be in Writing, and the SAC Alleges No Writing

Federal law governs the ownership and transfer of patents. *See United States v. Solomon*, 825 F.2d 1292, 1296 (9th Cir. 1987) ("A patent is a creature of federal statute and may be transferred only according to the terms of the patent statutes."). Under federal law, "[a]pplications for patent, patents, or any interest therein, shall be assignable in law ***by an instrument in writing***." 35 U.S.C. §261 (emphasis added). Thus, as this Court has previously held, it is hornbook law that the sale of a patent must be memorialized in writing. *See* 5 Lipscomb's Walker on Patents, Title 19:7 (explaining that the statute requires that "[a]n assignment of a patent must be in writing"); *see also Sky Techs. LLC v. SAP AG*, 576 F.3d 1374, 1379 (Fed. Cir. 2009) (noting the requirement that "all assignments of patent interest be in writing…dates back to [an] 1881 Supreme Court decision…"); *Waymark Corp. v. Porta Sys. Corp.*, 334 F.3d 1358, 1364 (Fed. Cir. 2003) (holding that "assignments need be in writing under 35 U.S.C. § 261"); *Solomon*, 825 F.2d at 1296 (holding that "the necessity of a writing…has long been a matter of hornbook law" and upholding district court's ruling that the parties "'can agree verbally until the cows come home, and that patent isn't assigned until there's a writing'"); *Peregrine Semiconductor Corp. v. RF Micro Devices, Inc.*, No. 3:12-CV-0911-H et al., 2014 U.S. Dist. LEXIS 2668, at *10 (S.D. Cal. Jan. 8, 2014) (denying preliminary injunction because party did not show likelihood of success on merits where there was no evidence of a written patent assignment, and holding that "[a] patent owner who seeks to assign his interest in the patent must do so in writing"). The Federal Circuit has explained that the writing requirement prevents parties from "engag[ing] in revisionist history [and] circumventing the certainty provided by the writing requirement of section 261…." *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998).

Here, the alleged contracts Plaintiff seeks to enforce are entirely oral. Plaintiff alleges that RPX's initial offer to buy was made in person during an April 13, 2015 meeting in San Francisco. SAC ¶16. Plaintiff further alleges that all further negotiations were done by telephone, including

Plaintiff's "acceptance" of RPX's offer on May 8, 2015. SAC ¶¶20-21. The SAC does not allege any executed written agreement, any draft agreement, or any writing with both parties confirming the terms of the alleged agreement. *See generally* SAC.

2. "Agreements to Assign" Only Apply to the Transfer of Future Patent Rights

In response to the Court's dismissal of its previous oral contract claim, Plaintiff now attempts to stylize the alleged deal as an "agreement to assign" by alleging that the assignment would take place in the "(near) future." *See* SAC ¶41 ("It was understood that the assignment would take place through the execution of appropriate documents in the (near) future."). Plaintiff's effort is unavailing. Cases recognizing "agreements to make an assignment" are limited to agreements involving rights in future inventions. *See Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403 (Fed. Cir. 1996); *Dalzell v. Dueber Watch Case Mfg. Co.*, 149 U.S. 315, 320 (1893) (holding that no writing required for "[a]n oral agreement for the sale and assignment of the right to obtain a patent for an invention…."); *Univ. Patents, Inc. v. Kligman*, 762 F. Supp. 1212 (E.D. Pa. 1991). These cases are part of a long and extensive body of law regarding inventive rights of employees. *See, e.g., University Patents*, 762 F. Supp. at 1219 ("[T]he major body of law on an employer's and employee's respective rights in the inventive or creative work of the employee evolved in the nineteenth and early twentieth centuries during our nation's industrial revolution."). This doctrine is not about recognizing agreements to transfer **existing patent rights** sometime in the future; rather, it acknowledges that parties sometimes need to agree to transfer **patent rights not yet in existence** (either now or in the future). Recognizing agreements to assign future patent rights makes sense for two reasons. First, from a practical perspective, an employee cannot execute a written assignment for patents the employee has not yet obtained (and may not have even invented). Second, employees who agree to assign future rights are compensated for doing so through their current salary. *See Teets*, 83 F.3d at 407 (holding that "[w]hen the purpose for employment [] focuses on invention, the employee has received full compensation for his or her inventive work").

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The hired-to-invent exception does not apply here as no rights in future patents are alleged. Plaintiff alleges that the agreement was for nine already-issued patents it owned and had asserted in litigation. *See* SAC ¶7. Moreover, no employment relationship is alleged – the parties were two companies negotiating an assignment of patents at arm's length, not an employee agreeing to give up rights to future inventions in exchange for a present salary. *See* SAC ¶¶13-14. Thus, alleging that the assignment would take place in the "(near) future" does not save Plaintiff's assignment claim. Indeed, Plaintiff's allegation that it would assign the patents to RPX in "the (near) future" is too vague to support an enforceable contract, as there is no way for the Court to measure Plaintiff's performance or breach of its obligations. *See Langan v. United Servs. Auto. Ass'n*, 69 F. Supp. 3d 965, 979-80 (N.D. Cal. 2014) ("To plead a claim for breach of contract, Plaintiff must at least allege the material terms of a specific contract [and] state that he performed his own obligations under that contract or was excused…."). Plaintiff is essentially claiming that RPX agreed to pay it $3 million in exchange for property that it would receive at some undefined "(near) future" time, which is absurd.

Similarly, a handful of other cases recognizing the validity of oral or implied contracts do so in other contexts also inapplicable here: assignments through operation of law (*Sky Techs. LLC v. SAP AG*, 576 F.3d 1374, 1379 (Fed. Cir. 2009) (allowing assignment through foreclosure)); assignments within a fiduciary relationship such as a partnership (*Hill v. Miller*, 20 P. 304 (Cal. 1889); *Spears v. Willis*, 45 N.E. 849 (N.Y. 1897)); or oral licensing agreements (*Waymark Corp. v. Porta Sys. Corp.*, 334 F.3d 1358, 1364 (Fed. Cir. 2003)). The SAC does not allege any transfer by operation of law or fiduciary relationship, and the underlying agreement was to assign the patent to RPX, not to license them. Therefore, these cases are inapposite.

Indeed, to allow a party to an arm's-length negotiation for the sale of existing patents to invoke the "agreement to assign" exception by alleging that a writing would be executed in the "(near) future" would swallow the rule requiring assignments to be in writing and would invite the "revisionist history" that the Federal Circuit has cautioned against. *See Enzo APA*, 134 F.3d at 1093 (explaining that writing requirement prevents parties from "engag[ing] in revisionist history [and] circumventing the certainty provided by the writing requirement of section 261…"). Simply put, there is no precedent for recognizing an oral "agreement to assign" in this context, and Plaintiff's claims for breach of contract based on an alleged oral patent sales agreement fail as a matter of law.

3. The Two New Terms Alleged by Plaintiff Are Illusory and Do Not Obscure the Assignment Claim

In an effort to dress up the alleged patent assignment as an "agreement to assign," Plaintiff also added two new terms to the alleged deal - dismissal of the patent litigation and a "limited license of one-year's duration" for Plaintiff to sue non-RPX members for past infringement. SAC, ¶16. Moreover, Plaintiff adds a new cause of action with the same terms but purporting to enforce the alleged agreement to dismiss. SAC ¶¶47-54. However, neither new term change the fundamental nature of the alleged assignment, as the dismissal is redundant and the license back legally void.

First, the alleged promise by Plaintiff to dismiss the lawsuit is redundant.[3] Plaintiff concedes that, as the result of the alleged assignment, RPX would hold the right to sue for past infringement (since Plaintiff alleges that RPX agreed to grant it a license back to bring a new suit for past infringement and a licensor could only license rights that it owned in the first place). Thus, in assigning the patents to RPX, including the right to sue for past infringement, Plaintiff divested itself of the right to maintain its current patent litigation. As a result, Plaintiff would no longer have the right to maintain the litigation and the promise to dismiss the suit would have been redundant.

Second, the alleged license back allowing Plaintiff to file a new suit for patent infringement against non-RPX members would be legally void. A patent infringement suit must ordinarily be brought by the party holding legal title to the patent. 35 U.S.C. §281; *Enzo APA*, 134 F.3d at 1093. A nonexclusive licensee has no standing to sue whatsoever. *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1030-31, 1034 (Fed. Cir. 1995) (holding that party was a "bare, that is, nonexclusive licensee, and has no standing to bring or join a suit for

[3] Nor can it be separate consideration for RPX's alleged promise to pay Plaintiff $3 million. *See Louisville Title Ins. Co. v. Surety Title & Gaur. Co.*, 60 Cal. App. 3d 781, 791 (1976) (holding that "[i]t is a uniform rule of law that a consideration for an agreement is not adequate when it is a mere promise to perform that which the promisor is already legally bound to do").

infringement"). Even a "right to sue" clause does not confer standing to sue on to a limited licensee. *See id.* at 1034 (a contract providing a right to sue "cannot change the statutory requirement for suit to be brought by the 'patentee' [and a] patentee may not give a right to sue to a party who has no proprietary interest in the patent"). Thus, Plaintiff's alleged license back would be legally void and therefore illusory. Accordingly, Plaintiff's additional terms do not make the assignment an "agreement to assign."

D. The SAC Fails to Plead an Implied-in-Fact Contract Against RPX

As noted previously, the Court granted Plaintiff leave to amend in part so that it could attempt to state a claim based on an implied-in-fact contract. However, the SAC fails to do so.

First, as this Court has previously noted, implied-in-fact contracts to transfer rights in patents are limited to the employment context, where the "shop rights" doctrine may give employers rights to their employees' inventions (even in the absence of an express agreement) in exchange for directing the inventors to invent and paying them for their efforts. *See Teets*, 83 F.3d at 408 (holding employee entered into an implied-in-fact contract to assign patent rights to his employer where the employer "directed [employee] to [a] task, compensated him for his efforts, paid for the refinement of the process, and paid for the patent protection…"). No such implied conduct exists here, where two companies were negotiating the sale of existing patent rights in an arm's-length transaction. Therefore, the "shop rights" doctrine is inapplicable.

Second, the SAC pleads an express contract, which forecloses a claim for an implied-in-fact contract. Express contracts are defined by their terms (either in writing or oral) whereas implied contracts are implied through conduct. However, there can be no implied contract where there is already an express one. *See Camp v. Jeffer, Mangels, Butler & Marmaro*, 35 Cal. App. 4th 620, 630 (1995) (holding that express employment agreement precluded existence of an implied contract regarding employment); *see also Schism v. United States*, 316 F.3d 1259, 1278 (Fed. Cir. 2002) ("It is well settled that the existence of an express contract precludes the existence of an implied-in-fact contract dealing with the same subject matters, unless the implied contract is entirely unrelated to the express contract."). Here, the SAC alleges that all material terms of the agreement (except for the sales price) were agreed upon during the parties' April 13, 2015 in-person meeting in San Francisco. SAC ¶16 (characterizing them as the "Essential Terms"). It further alleges that the sales price was agreed upon by telephone on May 8, 2015. SAC ¶21. The SAC alleges that on that call RPX "acknowledged that RPX and SourceProse had reached an agreement," and defines it as ***the*** "Agreement." *Id*. Thus, the SAC alleges a fully express contract, and the SAC alleges no implied terms.[4] Therefore Plaintiff's allegations foreclose the possibility of an implied-in-fact contract. *See Maglica v. Maglica*, 66 Cal. App. 4th 442, 455-56 (1998) ("The true implied contract, then, consists of obligations arising from a mutual agreement and intent to promise where the agreement and promise have not been expressed in words.").

E. Leave to Amend Should Not Be Granted Because Plaintiff Cannot Replead Valid Causes of Action

Leave to amend should be freely granted unless a plaintiff cannot amend its complaint to plead a valid cause of action. *See Lucas v. Dep't of Corr.*, 66 F.3d 245, 248 (9th Cir. 1995). A dismissal with prejudice is appropriate where amendment would be futile. *Dumas v. Kipp*, 90 F.3d 386, 393 (9th Cir. 1996). In this case, Plaintiff has had three attempts to state a claim against RPX, and it has demonstrated that further amendment would be futile. At its core, Plaintiff's allegation is that it entered into an oral patent sale with RPX. No matter how many attempts it is given to restyle its claims, Plaintiff's claims will always be directly foreclosed by federal statutory law. Moreover, it is clear from Plaintiff's shifting allegations that Plaintiff has no idea what it claims to have agreed to, let alone the ability to prove a meeting of the minds with another party.

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[4] Plaintiff alleges that it "partially performed" the agreement by standing down and dismissing its patent litigation, perhaps in an attempt to show an implied agreement. SAC ¶49. This makes no sense. The patent litigation was dismissed on July 9, 2015, almost two months after RPX is alleged to have stated that there was no deal. *Compare* SAC ¶32 *with* SAC ¶35.

V. **CONCLUSION**

Based on the foregoing, RPX respectfully requests that the Court dismiss all three causes of action alleged in Plaintiff's Second Amended Complaint, without further leave to amend.

DATED: March 9, 2017

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